Cabinet

Excerpt of the Minutes of the meeting held on Thursday 6 February 2025 in the Town Hall, Royal Leamington Spa at 6.00pm.

Present: Councillors Davison (Leader), Adkins, Chilvers, King, Melrose, Roberts, Sinnott, and Williams.

Also Present: Councillors: Day (Conservative Group Observer), Falp (Whitnash Residents Association Group Observer), Boad (Liberal Democrat Group Observer), and Milton (Chair of Overview and Scrutiny Committee).

94. **Apologies for Absence**

Apologies for absence were received by Councillor Billiald.

95. **Declarations of Interest**

There were no declarations of interest made in respect of the Part 1 items.

Part 1
(Items upon which a decision by the Council was required)

98. **General Fund Revenue and Capital Budget 2025/26**

The Cabinet considered a report from Finance which informed Members on the General Fund Budget for Warwick District Council, which included proposals for growth, plus the Medium-Term Forecasts up to 2028/29. It would be presented to Full Council alongside a separate report recommending the overall 2025/26 Council Tax Charges for Warwick District Council.

The report presented a balanced budget for 2025/26, which the Council had achieved through the use of available reserves, as expected and outlined in the Medium-Term Financial Strategy approved alongside the 2024/25 Budget in February 2024. The Council made a prudent assumption that £1m of the Core Finance Settlement would be reoccurring and treated the remainder as non-recurrent to support non-recurrent additional activity and replenish reserve balances, and not to support ongoing core revenue spending. The budget factors in the second year of the Councils £2.5m change programme, with £0.7m of recurrent delivery targeted. The first year of the change programme (2024/5) met its £0.3m target.

In advance of the report to approve the 2025/26 Council Tax Charges going to Council, a 2.99% increase had been recommended by officers, in line with the Medium-Term Financial Strategy (MTFS) which was last approved in February 2024.

By law, the Council had to set a balanced budget before the start of the financial year. As part of this process, it had to levy a Council Tax from its local taxpayers to contribute to financing General Fund expenditure.

It was prudent to consider the medium term rather than just the current and next financial year in the context of strategic planning and decision making, to align with the Corporate Strategy. Hence, Members received a five-year Medium Term Financial Strategy (MTFS) which detailed the Council's financial plans, Capital Programme, and Reserves Schedule, which covered the period 2024/25-2028/29.

The Local Government Act 2004, Section 3, stated that the Council had to set an authorised borrowing limit. The CIPFA Code for Capital Finance in local authorities stated the Council should annually approve Prudential Indicators. These would be included in the Annual Treasury Management Strategy report to Cabinet and Council in March 2025.

The Chief Financial Officer was required to report on the robustness of the estimates made and the adequacy of the proposed financial reserves. This statement was provided as Appendix 1 in the report.

The report was structured to build up and present a holistic view of the Council's finances for Members to assist them in considering the Budget and Council Tax proposals and associated matters. The report was structured as follows:

- 2025/26 Revenue Budget – details of main items included within the proposed 2025/26 budget.
- 2025/26 Government Funding announcements confirmed since the Draft budget were presented in December 2024, including the final Local Finance Settlement.
- Business Rates – details of main drivers which impacted upon the Council's share of Business Rates, including future policy assumptions.
- Council Tax – proposals for Warwick District Councils level of council tax for 2025/26.
- New Homes Bonus and Funding Guarantee allocations.
- Medium-Term Financial Strategy (MTFS) – revenue projections for the Council which covered the period 2024/25 – 2028/29, based upon Member decisions and the latest financial assumptions.
- Reserves and Balances – details on the funds held by the Council, that outlined how they would be used over the MTFS period and their forecast uncommitted balances.
- Capital Programme – details of Council's capital projects and how they were to be funded.
- Proposals for the allocation of one-off funding to support non-recurrent activity.
- Planned and Preventative Maintenance Programme (PPM) – agreement to the plan for 2025/26.
- Proposals for the second homes premium Council Tax charge.

In December 2024, the 2025/26 draft base budget was presented to Members. This reflected an unbalanced position at that stage of the process, with a forecast deficit of £3.525m, with provision made to balance the budget using General Fund Volatility reserves if necessary.

At the time of presenting the draft position to Members, central Government funding, including the Local Finance Settlement, had not been outlined at Council level. Therefore, only £1m had been included on a recurrent basis.

Provisional allocations had been shared and were covered in greater detail in section 1.3 of the report.

Budget changes (Growth) totalling £1.682m had already been included in the base budget. At the time of the draft report, this left a further £0.8m of proposals awaiting a decision. Whilst some of these required further analysis with the service areas, a final decision was delayed until the Council received details on the Local Finance Settlement to ensure that funding would be available to support the requests.

Further proposals had subsequently been added following the announcement of the Finance settlement, which focused on meeting the Council's Strategic priorities.

The Executive Team met with Cabinet to review the outstanding proposals put forward, and had recommended the inclusion of the following:

	Recurrent **£**	**Non-recurrent** **£**
Budget change (growth) requests approved	**£0.110m**	**£0.984m**

A summary of the Non-Recurrent items could be found in Appendix 8 to the report.

The 2025/26 budget showed a deficit of £2.5m. This was in line with the MTFS approved by Members in February 2024 when the budget was last set, and aligned with the expectations of the Change Programme, which was approved alongside the budget.

The key drivers of the change to the position since it was last reported in December (a deficit of £3.525m), included:

- 25/26 Budget Changes (growth)
- Additional top-ups to reserves
  - £1m to General Fund Volatility Reserve (specifically to offset reduction in expected Fees and Charges income from 2026/27)
  - £0.5m to Service Transformation Reserve
  - £0.7m to Corporate Asset Reserve
  - £0.3m to Energy Generation Projects Reserve
  - £0.071m to Climate Change Reserve
- Removal of services grant, as longer received in Local Finance Settlement - £0.024m

Offset by:

- Inclusion of Non-Recurrent Local Finance Settlement funding, which consisted of:
  - New Homes Bonus - £1.529m
  - Funding Guarantee – an additional £0.347m, as £1m was previously included.
- National insurance Compensation Grant - £0.197m

- Extended Producer Responsibility (EPR) funding for waste management - £0.954m
- The inclusion of business rates overperformance, with any change to the Business Rate Retention system not expected to happen until 2026/27 at the earliest - £2m
- Council Tax Base increase - £0.059m
- Change to Collection Fund balance - £0.170m

To present a balanced budget, it was proposed to use funding from the General Fund Volatility Reserve (see section 1.10.2 in the report).

Appendix 2b to the report included details of the breakdown of the Budget over the Council's individual services.

The Chancellor announced the 2024 Autumn Statement on 30 October. This gave some early indicators for how local Government funding was expected to be distributed through the finance settlement.

It confirmed that there would be a 3.2% real-terms increase in Core Spending Power (CSP) for the whole sector in 2025-26. This would include £1.3bn additional grant funding, of which at least £600m would be directed to social care.

At the time it was unclear whether District Councils would receive an increase in-line with the sector.

The Provisional Local Government Finance Settlement was subsequently released on 18 December 2024.

This set out that District Council's would not be receiving a 3.2% increase, with Warwick District Council's cash increase equating to just 0.3%. However, this increase was dependent upon Council Tax being increased by the full amount of 2.99%. The Council Tax principles of the Finance Settlement had been set out in section 1.5 in the report.

Cap compensation would be paid to mitigate for lost income which arose from the decision to freeze the small business rating multiplier in 2025/26.

The Services Grant introduced in 2022/23 had now been abolished. WDC received £0.024m in 2024/25.

For some years the future of New Homes Bonus (NHB) had been subject to review, which added to uncertainty to its continuation.

However, as part of the stability, this had included NHB allocations for 2025/26 of £1.529m. There was no legacy payments attached to these new allocations.

In addition, to bridge the gap and to ensure that all Council's saw a minimum 0.3% increase in their core spending power (before taking into consideration any local decisions on Council Tax), a further one-off Funding Guarantee allocation of £1.347m would be received.

The Council had also received confirmation of an increase to the Homelessness Prevention Grant, and extra funding from the Extended Producer Responsibility for Packaging scheme, a funding stream designed to encourage manufacturers to shift to more environmentally friendly packaging that could be recycled effectively. However, there was uncertainty over these funding streams at this point, and therefore they had only been included on a single year basis.

The Council would continue to use NHB and the Funding Guarantee to fund one-off items, or to support the top-up of reserve balances. This was in view of the uncertainty over future allocations (with Government indicating that a redistribution of funding, including the first multi-year settlement in years, would take place from 2026/27), so it had been prudent not to use this funding to support core revenue expenditure, with this revenue only factored into the Medium-Term Financial Strategy once it had been agreed for each year, with the exception for £1m at outlined in section 1.2.2 of the report. The proposal for their use was outlined in sections 1.2.6, 1.10 and Appendix 8 of the report.

Funding reforms and changes in funding distribution, including the Fair Funding Review and Business Rates baseline reset, had been assumed to take place from 2026/27. Business Rates were discussed in section 1.4 of the report.

Under the current Business Rate Retention scheme, 50% of rates collected were retained within local government (40% to Warwick District Council / 10% to Warwickshire County Council), with a series of tariffs and top-ups to redistribute the revenue between local authorities to reflect the individual "needs" of authorities, and to distribute revenue to non-billing authorities. For some years the Government had been planning a move to a 75% scheme to give local authorities more incentive to encourage local businesses on the basis that the local Council's would get to retain a greater proportion of the tax revenue.

The other planned change to the Business Rate Retention system was for there to be a "Re-set" of the Baselines. Under the system, each authority had a Baseline and would get to retain a proportion of the additional tax revenues above this. Authorities such as Warwick District Council had benefitted from this since the scheme began and operated well above Baseline. If there was a re-set to the Baseline, this would reduce the business rates that the Council retained substantially. For the fifth consecutive year the re-set had been delayed, with it was now expected to be from 2026/27 at the earliest. Therefore, any delay in changing the baselines was seen to be of benefit to the Council. However, the MTFS did account for a steep decrease in the Council's forecast Business Rate income from 2026/27, where it was expected that District Council's would be impacted the most from any change.

While the details of any reform remained unknown, typically there would be some form of transitional funding available to Council's that were negatively affected. However, for prudence, the MTFS assumed for a 'worst-case' scenario, with this position subject to continual review as and when more information became available.

The Business Rate Retention scheme was very complex, with many components and parameters which drove the funding, and the timing of that funding, that Council’s received. The Council’s Business Rate Retention projections were based on figures provided by Local Government Futures, a specialist consultancy that many local authorities subscribed to. This information was supplemented with local knowledge from being part of a Business Rates Pool with other Council’s across Coventry and Warwickshire.

The Council was part of the Coventry and Warwickshire business rates pool. This had meant that any tariff payable was made through the pool to central Government, along with the other Warwickshire Council’s (including the County Council) and Coventry City Council. The operation of the Coventry and Warwickshire pool had meant that the tariff payments made by the Council were reduced and more business rates income could be kept locally. The members of the pool had once again agreed to remain within the pool going forward into 2025/26.

Given the large fluctuations in the business rates, and the difficulty in projecting the revenue, it was important that the Council continued to retain a “Volatility Reserve”. Any business rates income received in the year above the agreed baseline was allocated to the reserve. In future years, it might be necessary to fund any shortfall to the baseline from the reserve.

As part of the Finance Settlement (section 1.6 in the report) the Government had confirmed that for District Council’s, the element of Council Tax could increase by the higher percentage of 2.99% or £5 for 2025/26. As 2.99% was higher than £5 for this Council, this was the maximum increase in Council Tax for 2025/26 that was allowed for. Any increase above this level would require a local referendum.

Increasing the Council Tax by the maximum would protect the Council’s tax base and maximise Council Tax revenue. If the Council agreed a lesser increase than 2.99% (or no increase), this would erode the tax revenue of Warwick District Council from 2025/26 in perpetuity. A 2.99% increase would generate an additional £0.318m in 2025/26. If Council Tax was not increased, the Council’s revenue income for all future years would be suppressed by at least this amount. With the Council having to find further revenue savings in future years, the savings to be found would be that much greater. If savings in service provision were not found, it would be necessary to make reductions in services to enable the Council to be able to agree a balanced Budget in future years.

The Tax Base for 2025/26 had now been agreed at 59,720 for Band D dwellings, which represented an increase of £1,439 from the prior year’s tax base, and above the forecast used by the Government in setting the Local Finance settlement. The figures also reflected the actual impact on the changes to the Local Council Tax Reduction Scheme introduced in 2023/24.

The 2024/25 estimated Council Tax balance in respect of Council Tax income for the current year had recently been reviewed. This gave a total estimated surplus balance of £0.684m as of 31 March 2025. This balance had to be shared with the major preceptors in 2025/26, with this Council's element being £0.70m. Estimating the tax base was invariably difficult, and frequently resulted in a deficit or surplus balance which would need to be financed subsequently. The current economic conditions, and the actual impact on the changes to the Local Council Tax Reduction Scheme introduced in 2023/24 had increased the challenge of estimating the tax base with increased levels of certainty. The model used to forecast the tax base was continually revised to take into consideration current economic and sector conditions, which included changes to stamp duty legislation.

The Medium-Term Financial Strategy (discussed in section 1.7 in the report) assumed Council Tax increases for future years of 2.99% per annum from 2025/26. Any departure from this would increase the level of the future deficit, and the values required to be achieved within the change programme.

Therefore, the officer recommendation within this report was for District Council's element of Council Tax for 2025/26 to be increased by 2.99%. On this basis, the 2024/25 Council Tax for each band would be as follows:

	£
Band A	125.07
Band B	145.91
Band C	166.76
Band D	187.60
Band E	229.29
Band F	270.98
Band G	312.67
Band H	375.20

Members should bear in mind their fiduciary duty to the Council Taxpayers of Warwick District Council. Members had a duty to seek to ensure that the Council acted lawfully. They were under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Members must not come to a decision that no reasonable authority could come to, balancing the nature, quality and level of services that they consider should be provided, against the costs of providing such services. By increasing the Council Tax by the maximum amount permitted, Members would be ensuring the Council was limiting where possible the size of the financial deficit, and that it was maximising the amount of Council Tax it could receive in-year to support continued delivery of agreed services.

For some years the future of New Homes Bonus (NHB) had been subject to review, which added to uncertainty to its continuation.

It was expected that NHB payments would end in 2022/23. However, due to the 'holding' nature of the Finance Settlement, NHB allocations had once again been included, with £1.529m to be received in 2025/26. There was no legacy payments attached to these new allocations.

In addition, to bridge the gap and to ensure that all Councils saw a minimum 0.3% increase in their core spending power (before taking into consideration any local decisions on Council Tax), a further one-off funding guarantee allocation of £1.347m would be received.

The Council would continue to use NHB and now the Funding Guarantee to fund one-off items, or to support reserves. This was in view of the uncertainty over future allocations, so it had been prudent not to use this funding to support core recurrent revenue expenditure, with this revenue only factored into the Medium-Term Financial Strategy once it had been agreed for each year. The proposal for their use was outlined in section 1.10 and Appendix 8 of the report.

The MTFS was last formally reported to Members in December 2024 as part of the Draft Base Budget report. Once the changes that had taken place through the Budget Setting process (sections 1.2 – 1.6 in the report, with the major changes highlighted) had been incorporated into the Strategy, the position of the MTFS was as follows:

	2024/25	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£m	**£m**	**£m**	**£m**	**£m**
Deficit-Savings Req(+)/Surplus (-) future years (as at Dec 24)	0.264	3.525	0.496	-0.210	-0.674
Deficit-Savings Req(+)/Surplus (-) future years (as at Feb 24)	0.291	2.500	0.064	-0.122	-0.689

Section 1.10.3 in the report proposed how the deficit would be covered through the use of reserves. The below table showed the MTFS once this had been actioned:

	2024/25	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£m	**£m**	**£m**	**£m**	**£m**
Deficit-Savings Req(+)/Surplus (-) future years	0.0	0.0	0.064	-0.122	-0.689

As part of the MTFS position above, a number of key assumptions had been included:

- a 2.99% Council Tax increase per annum;
- a 2% tax base increase per annum;
- a 3% (CPI+1%) increase per annum on authority controlled and agreed fees and charges from 2026;
- inflation of 3% from 2026/27, covering salaries and major contracts;

- revenue expenditure costs associated with additional forecast borrowing;
- the removal business rates growth from 2026/27, based upon the expectation that a business rates reset would take place as part of Local Government Finance Reform; and
- delivery of the change programme.

As part of the Council's Change programme, an independent fees and charges review was commissioned in 2024. 10 key areas of fee generation were identified for review, to identify opportunities for income generation and/or improved cost recovery, which took into consideration factors such as market position, policy framework, strategic priorities and commercial opportunities.

The review identified that it would become increasingly difficult to achieve the 10% fee income increases previously included within the MTFS last reported in February 2024, and that a policy more closely aligned with inflation would be most deliverable.

Therefore, in conjunction with service areas, the assumptions within the MTFS had been updated, to reflect a forecast 3% (CPI+1%) increase per annum on authority controlled and agreed fees and charges from 2026, in line with the new policy.

Some service areas with potential to generate additional income above this forecast, such as green waste and parking, were included in the assumptions.

Provision had been made from the finance settlement to offset the gap from the change in fee income assumptions (see 1.2.9 in the report).

Regarding the Change Programme, the Council's Corporate Strategy made a clear commitment to ensure continued financial sustainability. To contribute this priority and the Council's medium-term financial strategy, there would be an organisational change programme, which would set out the approach and timeframe to achieve financial efficiencies needed. The Change Programme business case - the case for change, would be presented to Cabinet in March 2025 for approval. The Change Programme would have senior Cabinet and officer sponsorship and oversight.

The Council was also maximising returns from its investments, through the Local Housing Company and by ensuring reserves were invested when not required. In addition, agreed borrowing was only taken upon need, and where possible, 'internal borrowing' from reserve balances was used to minimise the associated revenue cost. This would be discussed in greater detail as part of the updated Treasury Management Strategy, which would be presented to Cabinet in March 2025, with current performance having last been reported to Audit and Standards Committee in January 2024.

Members had previously agreed that £1.5m should be the minimum level for the core General Fund Balance. This balance supported the Council for future unforeseen demands upon its resources. In order to consider a reasonable level of general reserves, a risk assessment had been completed (Appendix 4 to the report). This showed the requirement for maintaining this minimum balance to mitigate against the risks that had been identified, where other funding was not available.

The unallocated General Fund Balance was currently forecast to be £2.8m, and therefore exceeded the agreed minimum level.

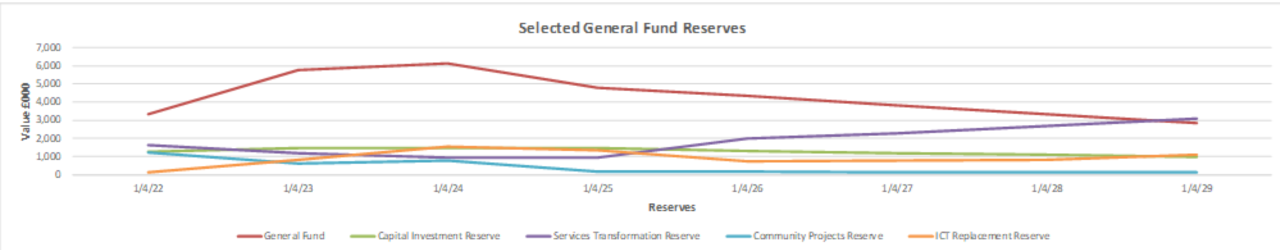
The Business Rate Retention Volatility Reserve (BRRVR) was used over prior years to deliver a balanced budget. However, to ensure this reserve remained available for its primary purpose of smoothing business rate receipts, any overperformance above a £2m balance had been reallocated to the General Fund Volatility Reserve. Business rates were discussed in section 1.4 of the report, which included the expected changes to Business Rate Retention which had been delayed over the last few years. With the result of the expected changes in mind, it was essential that the Council moved away from its reliance on overperformance receipts to balance the budget in future years, with the Change Programme in March due to outline how the Council planned to address the ongoing deficit position.

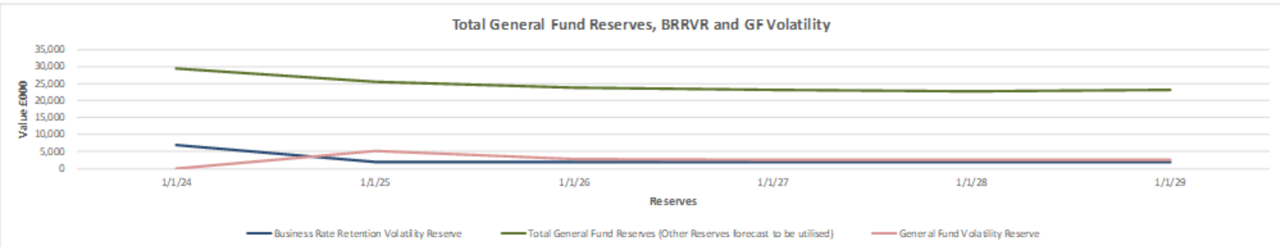
A change programme delivery reserve was established from 2024/25 with £0.500m initially allocated. This would be used on an 'invest to save' basis to enable delivery of schemes within the change programme that might require an initial investment in order to deliver recurrent savings.

The Head of Finance had delegated authority to enable drawdown from the Equipment Renewal Reserve within the agreed schedule. Any further requests or requests above the agreed schedule would require Member approval.

Below was a summary of the key reserve balances available for use by the Council before additional commitments:

General Fund Reserve	Notes	1/4/22	1/4/23	1/4/24	1/4/25	1/4/26	1/4/27	1/4/28	1/4/29
		Actual	Actual	Actual	Actual	Estimate	Estimate	Estimate	Estimate
		£000	£000	£000	£000	£000	£000	£000	£000
General Fund	Minimum agreed balance £1.5m	3,341	5,739	6,109	4,804	4,323	3,823	3,323	2,823
Capital Investment Reserve	minimum agreed balance £1.0m	1,256	1,456	1,456	1,456	1,283	1,183	1,083	983
Services Transformation Reserve		1,632	1,198	932	953	2,008	2,273	2,673	3,073
Community Projects Reserve		1,210	616	756	183	158	133	133	133
ICT Replacement Reserve		132	829	1,553	1,343	728	766	818	1,080
General Fund Volatility Reserve	Transfer from BRRVR to leave £2m	0	0	0	5,172	2,774	2,604	2,604	2,604
Business Rate Retention Volatility Reserve	£2m agreed balance ahead of anticipated Business Rate Reset in 2025/26 is achieved.	18,110	11,485	6,913	2,000	2,000	2,000	2,000	2,000
Total General Fund Reserves (Other Reserves forecast to be utilised)		**34,443**	**31,080**	**29,333**	**25,454**	**23,685**	**23,078**	**22,808**	**23,175**





The full reserve projections were included within Appendix 5 to the report, alongside an explanation for each reserve. Some of the reserves would have additional commitments not reflected in the schedule, which would reduce the projected balances. It should also be noted that some reserves were potentially over-committed, which would either require further funds being allocated in a future years, or a reduction in funded activity. Section 1.10 in the report covered in more detail some of these reserves.

In accordance with the Council’s Code of Financial Practice, all new and future capital schemes had to be in line with the Council’s corporate priorities, which included its capital strategy. A report supported by the necessary Business Case should be prepared for review and approval by Cabinet, identifying the means of funding and, where appropriate, demonstrating an options appraisal exercise had been carried out. Should there be any additional revenue costs arising from schemes, the proposed means of financing such had to be included in the Report and Business Plan.

The Capital Programme had been updated throughout the year as new and amended projects had been approved. Appendix 7 to the report, consisting of 4 parts, detailed both the General Fund and Housing Investment Programme (HIP) Capital programmes, along with their associated funding. Appendix 6 to the report detailed the variations to the capital programme as new schemes had been approved and projects had been updated.

Slippage and savings on existing schemes were also detailed within Appendix 6 to the report.

The HIP and associated funding was included within Appendices 7 to the report parts 2 and 4. Additional borrowing was the primary source of funding for new construction and acquisition projects. The HIP would be presented again as part of the HRA Business Plan report due in March 2025.

The Council did have some balances and funding which it was able to use to fund specific projects and service demands. The sums available could be used to fund ‘one-off’ items only. Any initiatives that would result in a recurring cost to the Council need to be accommodated within the revenue budget. The proposed usage of these funds and balances were detailed in the report.

For 2025/26, it was proposed that funding from the General Fund Volatility Reserve was used to cover the £2.5m deficit, to enable a balanced budget to be presented.

A General Fund Volatility Reserve (GFVR) was established during the 2024/25 Budget Setting Process to enable the Medium-Term Financial Strategy to be balanced over future years, until a forecast surplus position was achieved from 2026/27. Business rates overperformance continued to be used to top up this reserve.

The GFVR had a balance of £5.172m (after the 2024/25 budget was balanced) and would be used to cover the forecast 2025/26 deficit of £2.5m.

The Council's policy was for the General Fund Reserve Balance to be maintained at a minimum level of £1.5m, as discussed in paragraph 1.8.1 in the report. This minimum level had been maintained for 2025/26.

The Service Transformation Reserve was to be used to support one-off costs associated with the change in delivery of services. As of 31 March 2025, the forecast balance was £0.953m, with an annual recurrent top up of £0.400m to the reserve from 2025/26 from forecast core-settlement allocations. In addition, a further non-recurrent £0.500m had been allocated to the reserve following final confirmation of the 2025/26 settlement.

The Change Programme Deliver Reserve was set up to support the implementation of schemes aligned to the Change Programme, with the expectation that these should bring recurrent benefit to the Council, either through increased income or service efficiency. It still had £0.500m remaining from its initial allocation of £0.500m provided in the 2024/25 budget.

As outlined in section 1.6 in the report, the Council would receive £2.876m in 2025/26 as part of the Local Finance Settlement, made up of New Homes Bonus (£1.529m) and a Funding Guarantee payment (£1.347m).

Appendix 8 to the report outlined how this funding was to be used, primarily to support non-recurrent funding requirements.

The proposed PPM budget would enable the Council to proactively maintain all existing corporate assets (i.e. all assets owned by the Council other than its Housing Revenue Account homes, shops, garages and land) in a suitable condition unless or until any future decisions were made in respect of individual assets through a Corporate Asset Management Strategy.

The proposed budget allocation for 2025/26 was based on a review of the current PPM data by officers within the Assets Team, in consultation with building managers from other services which held or operate specific assets. The Proposed Corporate Property & Planned Preventative Maintenance (PPM) Programme works 2025/26 was set out at Appendix 11 to the report.

For 2025/26, the total PPM budget was £0.709m. This would be funded using £0.413m from the Annual Revenue PPM budget and a £0.296m drawdown from the Corporate Assets Reserve. The Council made a significant top up to the Corporate Asset Reserve in 2023/24 of £3m, and a top-up from the core settlement in 2024/25 of £0.686m, which left sufficient capacity in the reserve (£1.478m) to address emerging issues. Further detail on the PPM schedule and funding was set out in Appendix 9 to the report.

In the Levelling Up and Regeneration Bill, there was a section related to Council Tax and changes in the way that local authorities (LAs) could apply the Long-Term Empty Property Premium and the opportunity to introduce a premium for furnished second homes. The Levelling-Up and Regeneration Bill, introduced in the House of Commons on 11 May 2022, received Royal Assent on Thursday 26 October 2023.

Section 11b of the Local Government Act 1992 had been updated to allow a local authority to amend how they charged the empty property premium. From 1 April 2024, Warwick District Council introduced a charge of an additional 100% after a property had been empty for one year instead of two, with the other bands remaining unchanged.

The second change was that LAs would be able to charge up to an additional 100% premium on all furnished second homes in the District. These were essentially homes not occupied but kept furnished as 'second homes' by their owners, not rented out, just used by the owners as holiday homes etc.

For the second homes premium, a billing authority's first determination under this section had to be made at least one year before the beginning of the financial year to which it related. Warwick District Council gave notification as part of the 2024/25 Council Tax notice which was published following resolution at Council in February 2024, so as to enable the policy to come into force from 1 April 2025.

It was anticipated that the introduction of this premium charge would impact approximately 400 properties and increase the Council Tax received by Warwick District Council as the collecting authority by approximately £0.700m, which would be distributed amongst the preceptors in the normal way but providing Warwick District Council with a forecasted £0.057mk per annum.

A separate report seeking approval for this change and its applicable policy would be presented alongside the Budget in February 2024.

In terms of alternative options, Council did not have an alternative to setting a Budget for the forthcoming year. Members could, however, decide to amend the way in which the budget was broken down or not to amend the current year's Budget. However, the proposed 2025/26 budget sought to reflect the decisions made by Members and make appropriate recommendations. Any changes to the proposed budgets would need to be fully considered to ensure all implications (financial or otherwise) were addressed. If any Member was considering suggesting changes to the proposed Budget, these proposals should be discussed (in confidence) with the Head of Finance beforehand to ensure all implications were considered, including funding. If appropriate, alternate Budget papers could be prepared for consideration by Council.

The Budget Review Group thanked officers for their hard work in putting together the report. The Group noted the importance of the change programme and savings expected to be delivered through this. Members requested Cabinet look into the potential of a cyber-attack and the risk profile of this. They expressed concerns around inflation and explored confidence in reserves. The Group asked that the HRA business plan be brought forward alongside the base budget in future for Councillors to understand the budget within the context of this

Councillor Chilvers proposed the recommendations in the report.

Recommended to Council that

(1) the proposed 2025/26 revenue budget as detailed in section 1.2 in the report, be noted, and the shortfall on the year of £2.5m is addressed using the General Fund Volatility Reserve, be noted;

(2) the Council Tax charges for Warwick District Council for 2025/26, before the addition of Parish/Town Councils, Warwickshire County Council and Warwickshire Police and Crime Commissioner precepts, for each band with an increase at band D of 2.99%, be approved;

	£
Band A	125.07
Band B	141.91
Band C	166.76
Band D	187.60
Band E	229.29
Band F	270.98
Band G	312.67
Band H	375.21

(3) the reserve projections and allocations to and from the individual reserves as detailed in Section 1.8 in the report, including the ICT Replacement, Equipment Renewal and Planned and Preventative Maintenance (PPM) Schedules, be approved;

(4) the General Fund Capital and Housing Investment Programmes as detailed in section 1.9 of the report, and Appendices 7 parts 1 and 2 to the report, together with the funding of both programmes as detailed in Appendices 7 parts 3 and 4. Changes to the programme are outlined in Appendix 6, be approved;

(5) the allocation of project funding outlined in Section 1.10 and summarised in Appendix 8 to the report, be approved; and

(6) the 2025/26 Corporate Property Repair and Planned and Preventative Maintenance (PPM)

Programme totalling £0.709m as outlined in Appendix 9 and section 1.11 to the report, funded from a drawdown from the Corporate Asset Reserve of up to £0.296m, be approved. Members should also note the five-year programme presented in the appendix to the report, and how this programme can be accommodated by the Corporate Asset Reserve.

Resolved that

(1) the introduction of the second homes premium charge with effect from 1 April 2025, be approved. The charge relates to Council Tax and is outlined in section 1.12 in the report; and

(2) the impact on the Medium-Term Financial Strategy (MTFS) due to changes detailed within the report, how these changes are expected to be accommodated through the delivery of an organisational change programme, due to be presented to Cabinet in March, be noted.

(The Portfolio Holder for this item was Councillor Chilvers).
Forward Plan Reference 1,479

99. **Housing Revenue Account (HRA) Budget 2025/26 (including Rent Setting)**

The Cabinet considered a report from Finance. Each year local authority housing landlords were required to set rents and budgets for the forthcoming financial year.

The report informed Members on the Council's financial position for the Housing Revenue Account, bringing together the latest and original Budgets for 2024/25 and 2025/26. The report presented a balanced budget for 2025/26, with a forecast requirement of £4.073m from the Housing Revenue Account (HRA) Capital Investment Reserve (CIR). This was presenting an increased requirement from the CIR of £1.136m from that presented in December 2024.

The report made recommendations in respect of Council tenant housing rents, garage rents, and other HRA charges for 2025/26.

From April 2020, a new National Rent Policy came into effect, which included the ability for Councils to increase rents annually by up to (CPI+1%) at September per annum. It was proposed that the Council would increase rents for Social Rent dwellings by (CPI+1%) at the September 2024 rate of 1.7% + 1% meaning a total rent increase of 2.7% from April 2025.

After a short consultation, in the Autumn Statement on 17 November 2022 the Chancellor of the Exchequer announced that a one year 7% Rent Cap would be applied in the place of the National Rent Policy, using a Direction to the Regulator of Social Housing and advised this would support people in Social & Affordable Housing in England with the cost of living crisis by limiting the increase in their rents. CPI at that time was at 11.7% and costs (energy, materials, services) were spiraling. The Government had not enabled the position prior to the cap to be recovered resulting in the loss of millions of pounds to the social housing sector over time.

Details of current rents and those proposed because of these recommendations were set out in Appendix 1 to the report. From April 2016, Target Formula rents were applied when a dwelling became void and re-let, existing tenancies prior to this policy change continued under the historic rent regime with inflation linked in line with national rent policy. Appendix 1 to the report contained the average rents for both Target Formula Rent and Historic Rent policy dwellings.

A comparison of the Council’s proposed 2025/26 rents to Local Market Rents, National Formula Rent Caps and Local Housing Allowance Rents was set out in Appendix 2 to the report. The Council’s Social Rents were 42% lower than the Local Average Weekly Market Rent. This meant that the Council’s housing service reduced the cost of living for tenants, allowing more money to be spent in the wider economy and reducing the social welfare costs of helping lower income tenants afford their rent.

From April 2016 landlords were permitted to set the base rent as the Target Social Rent (also known as Target Formula Rent) for new Social Tenancies. These tenancies were subject to agreed rental policy to comply with the Welfare Reform and Work Act 2016. New lettings for social rent properties that took place between 24 February 2025 and 31 March 2026 (after the rent increase notification had been sent to current tenants,) would be let at the post April target rent, based on previous year’s figures, this would affect approximately 40 new tenants.

The Council adopted the policy to introduce Target Formula Social Rents on new tenancies issued upon a dwelling becoming void and re-let. This phased approach equated to approximately 400 dwellings per year transferring from the prior social rent policy to Target Formula Rents.

Existing tenancies commencing prior to April 2016 would remain on the prior rent policy with rents being inflated by (CPI+1%) for 2025/26, in line with Target Social Rents Dwellings.

New Affordable Rented Housing tenancies within the HRA would continue to have their rents set in line with the National Affordable Housing Rate which was 80% of the Local Market Rent, in line with planning permission and grant approvals from Homes England (where these applied).

Prior to 2020 existing Affordable Housing tenancies were set at a special “Warwick Affordable Rent” which was a mid-point between Social and Affordable rent. Any existing historic tenancies would continue to pay ‘Warwick Affordable’ rents for the remainder of their tenancy to ensure there were no negative financial implications for existing tenants**.**

Affordable rents and 'Warwick Affordable' rents would be inflated in line with national rent policy at (CPI+1%) at September, meaning total rent increasing to 2.7% from April 2025.

Shared Owners purchased a percentage of the property from the Council and were required to pay rent on the proportion of their home which they did not own.

Up until 2024, Shared Ownership rents used to be increased once a year by the Retail Prices Index (RPI+0.5%) in line with the Homes England Lease Agreements in place, however, the Government recognised that RPI was an outdated measure of inflation, with the Government committed to it phasing out of usage by the end of the decade.

On 12 October 2023, it was announced by the Department for Levelling up, Housing and Communities that rents for new Shared Owners could instead be increased once a year by no more than the Consumer Prices Index (CPI+1%). This reform brought Shared Ownership rents into line with the limit that normally applied to annual rent increases in other forms of social housing.

Rents for new shared ownership tenancies would be increased annually by (CPI+1%) which would be 2.7% from April 2025, and existing Shared Ownerships would remain on (RPI+0.5%) which would be 4.1%.

Garage Rent increases were not governed by National Rent Policy Guidance. In 2020/21, as part of the HRA Rent Setting Report, Cabinet approved Garage Rents to be increased by 10% per year over a five-year period with following years being inflated by CPI. The Council did not have a formal policy for the setting of rents for garages, but the points below contributed to the decision to increase the rents.

Two different rent charges applied to garages depending upon whether the renter was an existing WDC tenant or not. There were also parking spaces and cycle sheds which were charged for.

Market Research showed that in the private sector, garages were being marketed in the District with rents ranging from £80-£105 per month depending on quality and location (local market valuations last reviewed January 2024). The average monthly rent for a Council garage was currently £55.19.

The HRA owned a number of dwellings that were sub-leased to the Council's General Fund to be used as Temporary Accommodation. The reason for the dwellings being sub-let was that Homelessness was a General Fund function and needed to be financed separately from the HRA Ringfence which meant the HRA could not cross subsidise General Fund costs and vice versa in line with legislation.

The way the Lease Financing worked was that the HRA charged the General Fund an annual lease charge based on the weekly rent that would be charged for a Temporary Accommodation Dwelling. The General Fund Temporary Accommodation Team allocated the Temporary

Accommodation occupants and levied an occupation charge which was then collected and paid into the General Fund. At year end, an internal transfer was made by the Accountancy Team to enable the General Fund to transfer enough to the HRA to pay for the annual lease charge.

Most of the Temporary Accommodation charge was funded by tenants claiming Housing Benefit due to the nature of the service.

During the 2021/22 Social Housing Rent Regulator's inspection of the HRA Rents, it became apparent that the HRA dwellings were being sublet to the General Fund as Temporary Accommodation were deemed to have low rents. Although Temporary Accommodation fell outside of the Social Rent Regulators Remit, it was stated that it was good practice to have an annual rent review in place and a firm inflation policy adopted where the HRA owned the stock being sub-let to the General Fund.

There was no official National Rent Policy where Temporary Accommodation was concerned as providers varied greatly across the sector from B&B's, Hotels, Private Landlords, local authorities and Housing Associations, so one flat rate of rental inflation had not been legislatively applied to this sector.

During the 2023/24 financial year a full review of the HRA Temporary Accommodation Rents was completed to comply with the Social Rents Regulator's suggestions, and a consultation took place in January 2024 with the Local Benefits Office, where it was discovered rents were undercharged and should be increased to £117.69 for a one-bed property, £147.69 for a two-bed property and £173.08 for a three-bed property.

The lease agreements between the HRA and General Fund would be updated to factor in these new revised rents and an annual agreed inflation policy would be implemented.

To ensure that these rents did not fall below acceptable levels again, they would need to be inflated annually. After researching other Social Housing and Temporary Accommodation providers to seek the most appropriate inflation policy, it was recommended that the rental inflation policy adopted by the Council's HRA for leased HRA Temporary Accommodation properties was CPI+1% in line with the Council's Social Rent Policy, with a locally set cap being put in place of 90% of the Local Housing Allowance Rate for the local area in November each year and linked to the relevant property size which tied up with housing benefit eligibility rules linked to temporary accommodation rents.

This annual inflation policy would ensure the rents would remain affordable to tenants but would give assurance that the Council was recovering its costs for leasing HRA housing stock to the General Fund and Temporary Accommodation Tenants.

In determining the 2024/25 Base Budget, the over-riding principle was to budget for the continuation of services at the agreed level. The following adjustments needed to be made to the 2024/25 Original Budgets:

- removal of any one-off and temporary items;

- addition of inflation (contractual services and pay only);
- addition of previously agreed growth items;
- addition of unavoidable growth items; and
- inclusion of any identified savings.

The table at 1.36 in the report summarised the figures in Appendix 3 to the report and showed how the 2025/26 HRA base budget had been calculated.

In December 2024, the 2025/26 draft base budget was presented to Members. This reflected a balanced position at that stage of the process, with a forecast deficit of £2.937m, with provision made to balance the budget using the HRA Capital Investment Reserve.

A further £1.136m of budget changes had subsequently been added to the budget, bringing the requirement on the HRA CIR to £4.073m to balance the budget.

Key drivers of the change in budget included:

- Extension to waking watch into 2025/26 - £0.599m. Work was underway to provide an alarm solution in the respective high-rise sites which, when concluded, would negate the requirement to provide a waking watch. Supply constraints had meant that work to conclude the alarm installation would continue through into 2025.
- Extension to security at school sites in Kenilworth pending development decision - £0.292m.
- A scheme to provide an allocation towards the provision of flooring to support vulnerable tenants who started WDC tenancies - £0.100m per year for 2 years.

While a number of budget changes had already been included to meet service redesign requirements, a new target operating model was currently being developed and alongside this, a review of the Assets and Housing service was underway. These pieces of work would see the functions integrate to enable improved customer pathways and outcomes. Any changes to the funding requirements would be brought forward at the earliest available opportunity.

Appendix 3 to the report showed the HRA Expenditure and Income budgets which were noted in the above paragraphs, and the Expenditure and Income were added together to create a Net Income from Services Total.

There was also a further section in Appendix 3 to the report titled "Appropriations" which showed how the operational surplus was then used to fund the "below the line" costs such as paying the interest on loan financing, contributions to and from HRA reserves and capital financing recognition. This was accounted for differently to the General fund budgets but was a set format outlined by national accounting guidance from the Chartered Institute of Public Finance (CIPFA).

The Key Drivers for changes in Appropriations budgets were as follows:

- an Increase of £3.474m on Interest on Balances Costs. This represented the increasing borrowing to support the HRA's capital programme year-on-year;
- an Increase of £0.699m in Capital Financing;
- an increase contribution from HRA Reserves of -£3.873m; and
- a Reduction of £0.787m in Retirement Benefit Contributions.

Ultimately the increase in operational costs linked to the regulatory cost increases plus the external loan borrowing costs had caused a need to bring in £4.1m HRA reserves to balance the budget of the Housing Revenue Account.

Due to the current Economic instability external Public Works Loan Board (PWLB), borrowing was a lot higher than forecast so when external loans were being drawn down to fund the HRA's contractually committed capital expenditure the loan financing costs would vary depending on the rates at the time of the land being agreed.

New Council dwellings did start generating income from handover and had been financially appraised to show the rents would cover the loan repayments. Extra unexpected costs linked to the housing regulator improvements were impacting the HRA's ability to cover these increase loan financing costs and the extra income from the new dwelling rents was partially being taken up to fund the new staff costs and contracts linked with the regulatory improvements.

The HRA's capital programme had always planned on relying on external borrowing to fund its housing development schemes but the Council deferred taking out this external borrowing for a number of years. This was due to treasury management strategies which allowed for 'internal borrowing', for which the interest was paid to the General Fund rather than to PWLB. Rates were lower than those charged by PWLB meaning that both the borrower, and the General Fund investor received benefit. However, this had meant that now when the time had come to borrow externally the interest rates were high and therefore shorter-term loans were being used to keep the interest rates as low as possible and enable the HRA to refinance loans where possible, and when the time was right, to more preferable rates. It was nevertheless having an impact on the HRA negatively.

A number of assumptions had been made in setting the budgets for 2025/26 as follows:

Inflation had been applied in line with specific guidance for each expenditure type, for instance the Gas and Electricity inflation had been advised by ESPO the Commercial Energy Broker that the Council bought its energy from.

Other inflation factors such as for the major works had been inflated depending on the contract, staff costs had been inflated in line with the National Local Government annual pay agreement and where no clear inflation factor was apparent a % estimate had been applied to general budgets where applicable.

In 2023/2024, a rent cap of 7% was applied to social and affordable housing and shared ownership for a period of one year which meant that the increase in income did not cover the costs of the increased inflation on other operation costs and had an ongoing knock-on effect to the HRA budgets as the lost income compounded. As mentioned previously, the rent cap had now been lifted allowing WDC to inflate rents by the National Rent Policy rates of (CPI+1%) for Social and Affordable Housing, (RPI+0.5%) for existing Shared Ownership in 2025/2026.

Growth/Income Reductions from unavoidable and previously committed growth had been included in the Base Budget.

Any HRA operational surplus above the amount required to maintain the appropriate HRA working balance of £1.5m was transferred into the HRA Capital Investment Reserve (CIR) to be used on future HRA capital projects. If the costs increased to the point that there was a requirement to draw money out of the HRA CIR then this was noted in the same place in the budget Appendix 3 to the report.

The Current Balance of the HRA CIR was £20.120m, there were numerous demands on this reserve particularly from new regulatory costs, New Build Development schemes, Climate Change and Fire Safety works. The CIR was also being used to support the Major Repairs Reserve as that had been used in full in recent years to support the ongoing improvement works on the Council's Housing Stock. The full impact of having to drawdown from the HRA CIR would be documented in the forthcoming HRA Business Plan Report being presented to March 2025 Cabinet, which would also set out how a more sustainable position could be achieved to move away from a reliance on reserves to balance the in-year budget.

Costs for electricity, gas, water, and laundry facilities were provided at some sheltered housing schemes and were recovered as a weekly charge. These utility charges were not eligible for Housing Benefit. Tenants were notified of these charges at the same time as the annual rent increased. Appendix 4 to the report contained the charges for 2025/26 which would commence on the 1 April 2025.

A policy of full cost recovery was adopted in the report to Cabinet "Heating, Lighting and Water Charges 2018/19 – Council Tenants' on 7 February 2018." Recharges were levied to recover costs of electricity, gas, and water supply usage to individual properties within one of the sheltered and the five very sheltered housing schemes.

The costs of maintaining communal laundry facilities were also recharged at those sites benefiting from these facilities under the heading of miscellaneous charges.

Utility costs were reviewed in line with Council contracts to ensure affordability. The gas and electricity used to deliver communal heating and lighting was supplied under the provisions of the Council's energy supply contracts. Other measures such as installing Photovoltaic cells (solar panels) at James Court, Tannery Court, and Yeomanry Court in April 2012 assisted with reducing tenant's costs with the electricity generated reducing consumption from the national grid.

The charges necessary to fully recover costs for electricity, gas, water, and laundry facilities in 2025/26 were calculated annually from average consumption over the last three years, updated for current costs such as average void levels, solar panel feed in tariff income, Biomass Boiler feed in tariff subsidy and adjusted for estimated inflation for the forthcoming year. The use of a three-year adjusted average ensured that seasonal and yearly variations were reflected in the calculation.

In recent years the cost of gas and electricity had increased. The Council's electricity contract was renewed in October 2024 and the gas contract was to be renewed in April 2025. At the end of 2023, prices stabilised and, in some cases, decreased. As part of these contract renewals, it had been predicted that Gas would decrease by 20% in 2025. Electricity was predicted to reduce by 25% from October 2024-September 2025 but after then a slight increase was expected, and these inflated costs were starting to reduce for 2025/26.

To protect the general public from the huge increases in energy costs the Government implemented an Energy Price Guarantee which protected customers from increases in energy costs by limiting the amount suppliers could charge per unit of energy used. It currently brought a typical household energy bill in Great Britain for dual-fuel gas and electricity down to around £1,928 per annum from January 2024.

Council tenants were on the ESPO business contract. Therefore, the total charges to be paid by Sheltered Housing tenants for their energy was below this cap noted in Appendix 4 to the report. Depending on the location and the number of bedrooms in the dwelling the total annual bills ranged from £585.00 - £1,398.80 which, at the top end of this range, was £529.20 less than the £1,928 Energy Price Cap.

The three-year average cost calculation shown in Appendix 4 to the report shielded tenants to some extent from the huge increases in gas and electricity bills which had been experienced over the last years.

However, in 2024/25 a further measure was taken to reduce the impact to tenants as it was also decided to forecast further increases based on a per property basis, % increase between 2022/23 to 2023/24, rather than use the previous year's mark up of 200% and 100%, this was a more accurate approach to setting budgets and had helped further reduce charges to tenants, however this still meant the Council's HRA had to meet any shortfalls in income caused by this policy change.

The total cost to the Council in 2025/26 had been calculated at £239,919.72 for Electricity, Heating, Lighting and Laundry and £44,141.74 for Water. This would be recovered by recharging tenants of applicable Sheltered Housing Schemes with the Service Charges being itemised on Appendix 4 to the report.

Service charges applied in two ways: a) where the Council owned multi-occupancy buildings and provided services such as heating, lighting and cleaning of communal areas, and b) where the Council owned buildings on an estate where external services such as maintenance of unadopted roads, play areas or green spaces were provided by a managing agent.

For sheltered schemes, the Council already applied a service change in relation to heating and lighting and a total cost recovery approach applied.

There was, however, no charge for other services such as grounds maintenance, fire alarms and other such services to the sheltered schemes.

Across the remainder of the multi-occupancy dwelling stock, which constituted around half of the total stock, services which were commonly covered by service charges were not charged for separately.

This meant that the costs for these services were met from rents. There were drawbacks with this approach:

The HRA was missing out on additional income that could be generated by applying charges for service provision.

Rents were regulated by government policy and artificially constrained to increases of CPI +1% whilst energy prices and land management costs were more volatile and subject to market forces. This meant as energy costs rose, the proportion of rental income available to repay the ‘mortgage’ effectively reduced.

Government had, from time to time, further limited the rent rise that landlords could apply. An example of this was referenced at paragraph 1.4 in the report. There was no correlating government policy on the treatment of service charges meaning that landlords who had separated out costs of service charges from rent could apply a total cost recovery.

While most service charges would see increases annually to reflect the additional cost of providing the service linked to contract inflation, it might have been possible in some cases that service charges could reduce where contracts were reprocured in future years. Contracts would always be procured within the Council’s Procurement policies with best value and quality to tenants being the main drivers awarding each contract, where such services were provided by the Council.

It was proposed to scope out the potential to separate service charges from rents and thereby provide some protection from government rent caps and restrictions going forward.

A number of new build housing developments had been purchased by the Council’s HRA in recent years. At some sites, facilities which would ordinarily be adopted by the relevant local authority (who in turn would service and maintain), were being retained by the developer, and service charge levied to each household. These service charges were totally independent from Social/Affordable or Shared Ownership Rents. It was the intention of the Council for the HRA to pay the charges for properties and then seek reimbursement from occupants.

A phased introduction of Service Charges therefore needed to be approved in the HRA which was specific to each dwelling on each separate new build site where applicable.

The annual inflation policy of these contracts also needed to be approved and revised annually in line with actual contract inflation costs specific to each service charge contract in place to be inflated at the 1 April each year.

Service charges were calculated by splitting the cost of the service over the number of properties benefitting from that service and needed to be on a cost recovery basis i.e. charges must not make a profit, they were just to recover full contract costs that the Council's HRA would incur otherwise.

If a service charge was proposed to increase, it was because the current charge did not cover the full cost of providing that service. Different services might therefore have different proposed adjustments annually to better reflect their actual costs.

Service charges might increase or decrease separately from rents each year based on the actual services being provided and the costs incurred and would be based on actual expenditure for the preceding financial year where reasonably possible.

The Council would seek to recover 100% of the service charge costs being incurred to ensure that tenants that benefitted from the additional services being provided did not subsidise the service.

Service Charges were not covered by the same Government guidelines as rent setting; however, the guidelines were that service charges should be set on a reasonable and transparent basis and should reflect the service provided.

Where new or extended services were introduced, and an additional charge might need to be made, the Council would consult with tenants.

For Affordable Rent tenants, the service charge was included alongside the rent.

The service charges that formed part of the tenancy or occupation agreement would be highlighted in the agreement. There was no option to opt out of any specified charge.

The annual review of service charges would be an integral part of the budget setting process across the Council and subject to approval. Once agreed the new rent and charges would be implemented in the April of the next financial year.

The Council would give tenants four weeks written notice of any change in the level of service charges which normally would be prior to April and rent increases would be advised at the same time in line with Section 13(2) of the Housing Act 1988 where appropriate.

The purpose of the report was to produce budgets as determined under the requirements of the Financial Strategy, in line with current Council policies. Any alternative options / strategies would be the subject of separate report

The Council had discretion over the setting of Garage Rents. It would be possible to set Garage Rents higher than those proposed to maximise income, however, significantly higher rents might make Garages harder to let and so reduce income. Similarly, rents could also be reduced but this would reduce income to the HRA Budget when it was needed and not provide sufficient funds to maintain the garages in good condition.

The Council did have the discretion to decrease rents for existing tenants. However, following the negative impact of the previous rent policy of a four-year fixed -1% rental income reduction from 2016-2020, the negative impact of the Covid-19 Pandemic, and then the recent 7% rent cap not matching inflationary operational costs, any decreases would further reduce the level of income for the HRA, which in turn could impact upon the viability of the HRA to cover its operational costs, future projects and business requirements.

The Council did not have the discretion to change the rent schedule for existing Shared Ownership dwellings without permission from Homes England, which was determined by the existing terms of the lease.

The Council did have the discretion to reduce the heating charges charged back to tenants, however, as bills were now reducing full cost recovery would be implemented as there were already measures in place to shield tenants from the recent high utility cost increases.

The Budget Review Group thanked officers for their hard work in putting together the report. Members explored the decision to borrow monies externally to prevent the depletion of Council reserves and expressed the implications of this decision should be understood. The Group noted that this would be covered within the Treasury Management Strategy that will be brought to Cabinet at a later date but requested in future reports be brought together where possible in order for Members to see the bigger picture.

Councillor Adkins proposed the recommendations in the report.

Recommended to Council that the proposed increase to rents for all Social & Affordable tenanted dwellings (excluding Shared Ownership) for 2025/26 at 2.7% (CPI 1.7%+1%) at September 2024 as per the Regulator of Social Housing National Rent Policy increases, be approved.

(The Portfolio Holder for this item was Councillor Adkins).
Forward Plan Reference 1,511

100. **Preparing for the introduction of the Procurement Act 2023**

The Cabinet considered a report from Finance which provided a brief on the Procurement Act 2023 which was due to come into force on 24 February 2025. A consequential review of the Code of Procurement Practice had been undertaken and a new set of standing orders was recommended for approval.

Following the exit of the UK from the EU in 2020, the Government committed to reforming Public Procurement, initiated by the publication of the procurement reform green paper in December 2020. This led to the creation of the Procurement Act 2023 which was given Royal ascent in October 2023 and the consequential Procurement Regulations 2024.

Both the Procurement Act 2023 and Procurement Regulations 2024 would come into force on 24 February 2025 and would supersede the Public Contracts Regulations 2015, Concession Contract Regulations 2016 and other related regulations. The Council was required by law to adopt internal requirements for procurement which was captured by the Council's Code of Procurement Practice. These were to be found in the Council's constitution – rules of procedure. With the new legislation approaching, there was need to review the Code of Procurement Practice to align them with the new legislation. On review by the Strategic Procurement & Creditors Manager, it was concluded that the Code of Procurement Practice needed a substantial review and update to support the major changes being by the new legislation and the principles and requirements set out within it.

The Procurement Act 2023 and Procurement Regulations 2024 aimed to deliver the following improvements to public procurement over and above the current Regulations:

- consideration of Procurement throughout the entire commercial cycle, from 'cradle to grave';
- transparency and integrity;
- fair and Equal treatment for suppliers;
- performance monitoring and improved contract management;
- opening up opportunities to small businesses and social enterprise;
- the ability to exclude and bar suppliers in certain circumstances, including poor performance; and
- delivery of strategic national priorities by having regard to the National Procurement Policy Statement.

To achieve these, the following wholesale changes had been made:

- the term Procurement had been redefined to recognise all stages of the Commercial Cycle: Planning, Supplier engagement, Commissioning, Sourcing, Awarding, Contract Management, Contract Termination;
- increased scrutiny on Contract Management to ensure best practice, value for money, and Social Value benefits;
- increased transparency obligations throughout a Procurement Project by introduction of a new Central Digital Platform for suppliers and buyers to register and store their details and activity so that Procurement activities could be scrutinised. This would be supported by mandated notices which had been expanded to include Procurement Pipelines, Premarket engagement, Contract modifications, Contract Performance, and Procurement and Contract Terminations;
- more robust guidance on Conflicts of Interest and a requirement to record and report on these throughout a Procurement;
- the introduction of the Procurement Review Unit (PRU) to monitor compliance, investigate supplier complaints and persistent poor practice, maintain the central supplier debarment list; and
- increased opportunities for exclusion, whereby in specified circumstances, the Council needed to or might exclude bids received from suppliers due to their serious misconduct, unacceptable poor past performance, or other circumstances which determined whether it was appropriate to award a public contract

to a particular supplier. Serious cases of misconduct would be monitored by the PRU for inclusion on the central debarment list which the Council needed to consult once quotes or tenders were received and then during the lifetime of the contract.

The focus of the legislation remained on competition and 'Value For Money' but had changed the emphasis from considering only financial value to a need to also consider non-financial benefits and Social Value when evaluating suppliers bids.

For clarity, as with the existing legislation, many of the legislative provisions applied only to procurement projects above certain thresholds. The most common thresholds were currently set at £213,477 (incl. VAT) for goods and services and £5,336,937 (incl. VAT) for works. Whilst the majority of the Council's contracts would be below these thresholds, some of the provisions and objectives, particularly around engagement of SMEs and transparency, which would apply to 'below threshold' procurement.

The legislation was not retroactive, except for transparency requirements on supplier payments. All procurements formerly commenced (published) prior to the Procurement Act 2023 and Procurement Regulations 2024 coming into force on 24 February 2025 would be governed by the relevant prior regulations. The Procurement Act 2023 and Procurement Regulations 2024 would only apply to procurements projects (and the resulting contracts) published post 24 February 2025. The Code of Procurement Practice had been updated to recognise the impact of this.

In preparation for the Procurement Act 2023 and Procurement Regulations 2024, the Council had undertaken the following:

- created a Procurement Reform Action plan which identified actions needed to meet the new legislation (see Appendix 1 to the report);
- introduced a SLT Procurement subgroup to contribute to the successful implementation of the actions stated within the Procurement Reform Action Plan;
- resurrected the Procurement Champions members group to provide oversight and support for the Procurement Reform Action Plan and Council procurement activity; and
- review training requirements for officers and Members and disseminate training provided by the Cabinet Office in preparation for the legislative changes.

The most urgent item on the Procurement Reform Action plan was the review and revision of the Council's Code of Procurement Practice and the review of the Procurement Strategy. Future reviews that would be reported to Cabinet in due course were the introduction of a Corporate Social Responsibility Statement and a Sustainable Sourcing Policy and review of the following existing policies:

- Social Value Policy
- Equality in Procurement Policy

The Local Government Act 1972 required Councils to adopt contract standing orders which the Council had name the Code of procurement

Practice. These were set by Councils according to their own requirements and cover, for example – authority to procure, procedure according to value, required documentation and other relevant matters. The current Code of Procurement Practice could be found in the Council's constitution – rules of procedure.

The current Code of Procurement Practice was last fully reviewed and updated in 2018 to make it clearer and more accessible. It was then updated with minor changes in 2021 to accommodate actions to help meet the Council's Climate Change Action Plan. Despite the robust nature of the current Code of Procurement Practice, the wholesale changes identified in 1.2.2 in the report had required a major revision of the Code of Procurement Practice to ensure it provided sufficient support for officers and Members in meeting the new legislative obligations. Accordingly, the new Code of Procurement Practice had been prepared and was attached in Appendix 2 to the report.

Key changes within the new Code of Procurement Practice were:

- The new Code of Procurement Practice had been revised to recognise the re-definition of Procurement as referencing the whole commercial lifecycle approach as well as the additional obligations that accompanied this. The intention was the document was supporting officers and Members in understanding their obligations under the new legislation, as well as defining accountabilities for each stage of the Procurement (Commercial) cycle due to the devolved structure of procurement within the Council. Although accountability for all procurement activities outside of sourcing a contract lay within Service area, it was still recognised that further input and guidance might be required from the central Procurement function and/or legal services.
- Changes to the internal thresholds with regard to undertaking competitive processes would come into force by no later than the 1 September 2025, to enable training to be implemented for officers on achieving Best Value and fulfilling governance obligations linked to the Procurement Act 2023 including the requirement to record decision making as soon as practicable.
- Changes to the internal thresholds exemptions to streamline operational procurement for service areas.
- Review of transparency obligations and notice publication requirements.
- The introduction of a more robust Conflict of Interest requirement with increased reporting and monitoring procedures.
- The redefinition of Supplier engagement and a more robust requirement for the undertaking, recording and publication of such activity.

At the time of writing the report, the impact of the above would affect the following, and might result in further reviews and reports on resources, capabilities and priorities:

- The Council currently had 291 contracts listed within its published contract Register, with a total annual commitment of £75,600,366. Of these contracts, 266 were for ongoing BAU requirements with a total annual commitment of £61,752,265. When replaced, the increased transparency requirements would result in a minimum of three times the number of legal notices currently placed for these contracts.

- Of the BAU contracts, 61 were above the UK thresholds for the Public Contract Regulations 2015 and would fall under the additional obligations of the Procurement Act and Procurement Regulations 2024 when they came to be replaced. Most of them fell within Neighbourhood and Assets, and Finance.
- There were currently 49 planned procurement projects that would fall under the new legislation and its additional obligations.
- Of current contracts, 48 had been awarded through an exemption to the Code of procurement Practice, 10 of which would have fallen under the requirement to obtain Cabinet approval. With the exemption changes within the new Code of Procurement Practice, including the threshold change for cabinet approval, none of these exemptions would require Cabinet approval.

The current Procurement Strategy covered 2019 to 2023. It was updated in 2021 to incorporate aspirations within the Climate Change Action Plan.

The Procurement Strategy set out key objectives for the Council regarding procurement, to facilitate the achievement of the Council's objectives.

In 2023, the Council's corporate strategy was updated, setting out new objectives for the organisation which included several actions that could be facilitated through Procurement:

'(1.2.1) Our medium-term financial strategy will set out the steps we will take to ensure we continue to be <u>financially sustainable</u> and can continue to invest across the district. This will include making <u>better use of existing resources</u> and consider how we can increase income generating opportunities.

(1.2.2) Our change programme will <u>improve the efficiency and effectiveness of how the Council delivers services</u> to ensure they remain responsive and accessible to customer needs.

(1.3.1) By reviewing how Council services are delivered and <u>measuring performance will help ensure high quality services are being delivered</u> across the Council.

(1.3.4) We will further <u>develop our approach to commissioning and contract management across the Council</u> to continue to ensure residents receive the best service possible and value for the taxpayer.

(1.4.1) Our People Strategy will help to attract the <u>right people with the right skills the Council needs</u>; this will help the Council become recognised locally, regionally and nationally as an employer of choice.

(1.5.2) We will continue to develop our approach for <u>maximising social value</u> though our place-shaping initiatives to recycle money within the District.

(2.1.1) Significantly <u>improve the energy efficiency of Council buildings</u>

and <u>introduce renewable energy</u> generation capacity where possible.

(2.5.1) By <u>working in partnership locally, regionally and nationally,</u> we will identify, evaluate and undertake initiatives to help local people reduce their energy needs'.

In addition, the Procurement Act 2023 had defined new Procurement objectives for the public sector, as well as legislating the National Procurement Policy Statement which would set out additional objectives from parliament.

To recognise these changes, the Procurement Strategy had been reviewed and updated to ensure that it set out how the Council would fulfil its local, national and legal objectives through Procurement. The Procurement Strategy 2024 to 2028 was set out in Appendix 3 to the report.

Key changes within the new Procurement Strategy were:

- a recognition of the new Procurement structure within the Council and the termination of the shared service arrangement with Warwickshire County Council Procurement;
- the setting out of WDC Procurement objectives to support the achievement of local, national and legal ambitions;
- the recognition of the National Procurement Policy Statement for consideration in addition to the Procurement Strategy objectives;
- an increased emphasis on the adoption and use of procurement best practice across the Council, in particular with regard to contract management and performance monitoring; and
- an update in all actions for achieving defined priorities.

The proposal to revise the key decision threshold was brought forward for consideration to provide alignment of policy and key decisions to make it a more streamlined process. This increase was considered reasonable alignment based on the measures that were required for contracts above this value.

The proposal to revise the requirements for a contract to be sealed was to balance the benefits of sealing a contract against the additional time and cost of sealing a contract.

A standard contract 'signed under hand' was legally enforceable up to six years upon the resolution of the contract. A sealed contract, however, could be enforced the contract for up to 12 years.

Service contracts and most goods contracts by their nature had a finite impact aligned to the term of the contract. Any requirements to enforce a contract beyond its resolution would be sufficiently covered within the standard six years provided by a contract signed underhand. However, Works contracts and some product contracts for long-life plant equipment whereby contract considerations might apply up to 10 years or more beyond the original contract term.

Currently, the Constitution required all contracts above the UK threshold for Goods and Services to be sealed. Although contracts were now sealed electronically, it required additional time, legal resource and electronic sealing costs to seal a contract. As there was no benefit from sealing Service contracts and most product contracts, retaining this requirement for sealing was not cost effective.

It was therefore proposed that the Constitution was amended to align the requirements for the sealing of a contract to just apply to contracts for which the sealing process would create legal benefit, such as for Works contracts and Product contracts whereby the lifecycle of the product exceeded six years.

Alternative options had been considered, but Procurement regulations were mandatory, so no alternative options were available.

Councillor Chilvers proposed the report as laid out.

Recommended to Council that the adoption of updated Code of Procurement Practice and Corporate Procurement Strategy, be approved, with immediate effect, unless stated, and the Constitution is amended accordingly. With the key emphasises being:

- To increase the threshold for Cabinet approval of exemptions to the UK threshold for Goods and Services.

- To moving the £10,000 thresholds to £50,000 with the ability to direct award contracts providing best value is evidenced, with this to commence no later than 1 September 2025.

- To enforce the completion of a timely Procurement Project initiation Document (PPID) for all procurement projects of £25,000 and above, to ensure Procurement Act 2023 governance if fulfilled.

- The Monitoring Officer be given delegated authority to approve the Procurement Conflicts of Interest assessment specified within the Procurement Act, in consultation with the relevant Head of Service.

- The Monitoring Officer be given delegated authority, in consultation with the Chief Executive, Section 151 Officer, Internal Audit and Risk Manager, Chair of Audit and Standards, Portfolio Holder for Resources, and the relevant Head of Service, to exclude suppliers from a procurement project due to identification of an unfair advantage as defined in the Procurement Act Guidelines.

Resolved that

(1) authority be delegated to the Monitoring Officer, in consultation with the Head of Finance, Portfolio Holder for Resources, and Chair of Audit & Standards Committee, to make changes to the new Code of procurement Practice to reflect any additional or revised guidance published prior to the Procurement Act go live date;

(2) the value of a Key Decision, as defined in the Constitution be revised to the value of the Goods & Services Threshold within the act (currently c.£177k excluding VAT) to provide consistency around key decisions on procurement that require Cabinet approval;

(3) authority be delegated to the Monitoring Officer to revise the Key Decision value recorded in the Constitution to align with the UK threshold for Goods & Services) as and when it is revised by Government; and

(4) the requirement for the sealing of contracts, as defined in the constitution, be revised to all Works contracts, and Goods contracts with a Whole Life Cycle of six years or more.

(The Portfolio Holder for this item was Councillor Chilvers).
Forward Plan Reference 1,481

101. **Q2 Budget Monitoring and updated MTFS**

The Cabinet considered a report from Finance which provided an update on the current financial position as at 30 June 2024, providing a full year forecast for the 2024/25 financial year, and for the medium term through the Financial Strategy. Key variances and changes were highlighted to inform Members, with some recommendations also being put forward for their consideration.

Quarter Three Update 2024/25 Report would be presented at Cabinet on 19 March 2025 Quarter Four (Outturn), and the 2024/25 Report would be presented at Cabinet on 3 September 2025 in line with the publication of the draft Statement of Accounts 2025/26.

Current year variances - General Fund

A full review and full year forecast had been completed by all Cost Centre Managers to estimate the total financial commitment for this current year. Accountancy had supported managers in the preparation of these figures. As at 30 September 2024 (end of Quarter Two) there was an Adverse forecast variance of £0.291m after adjustment for Reserves for the 2024/25 financial year to 31 March 2025.

Department / Portfolio	Budget 2024/25	Forecast 24.25 Q2	Q2 Variance	Reserves	Adjusted Variance after reserves
General Fund	**£000**	**£000**	**£000**	**£000**	**£000**
Customer & Digital Services	1,279	1,448	169	0	169
Finance	2,118	1,466	(652)	0	(652)
Housing Services - GF	3,860	3,696	(164)	(173)	9
Neighbourhood & Assets	8,785	9,340	555	0	555
People and Communication	40	25	(15)	(3)	(12)
Place, Arts & Economy	11,296	11,088	(208)	0	(208)
Safer Communities, Leisure & Environment	6,610	6,827	217	(10)	227
Strategic Leadership	2,578	2,824	246	43	203
General Fund Total	**36,566**	**36,714**	**148**	**(143)**	**291**

A breakdown of changes between Quarter One and Quarter Two by Portfolio is shown below.

Movement Between Q1 and Q2	Q1 Variance after Reserves	Q2 Variance after Reserves	Movement
General Fund	**£000**	**£000**	**£000**
Customer & Digital Services	305	169	(136)
Finance	(69)	(652)	(583)
Housing Services - GF	103	9	(94)
Neighbourhood & Assets	217	555	338
People and Communication	(32)	(12)	20
Place, Arts & Economy	(343)	(208)	135
Safer Communities, Leisure & Environment	(44)	227	271
Strategic Leadership	127	203	76
General Fund Total	**264**	**291**	**27**

Earmarked Reserve Movements in Q2

Proposed Earmarked Reserve Movements at Quarter Two		
General Fund		**£000**
Election Expenses Reserve	Drawn down of underspent Grant from 2023/25	(51)
Climate Change Reserve	Underspend / Overspend in year to Earmarked Reserve	8
Tennis Maintenance Reserve	Underspend / Overspend in year to Earmarked Reserve	10
Working for Warwick Reserve	Underspend / Overspend in year to Earmarked Reserve	3
HMO Funded Work	Underspend / Overspend in year to Earmarked Reserve	(46)
Homelessness Prevention Reserve	Underspend / Overspend in year to Earmarked Reserve	219
		143

A summary by Portfolio of major variances was provided below:

List of major Variations		Q2 £000	Favourable (F) / Adverse (A)	Q1 £000	Change £000
Customer & Digital Services					
1.1.2.1	Benefits - Homelessness Rent Rebates	173	A	304	(131)
Finance					
1.1.3.1	Revenues	0	F	(50)	50
1.1.3.2	Audit, Risk & Insurance	1	A	(15)	16
1.1.3.3	Contingency Budgets	(687)	F	0	(687)
1.1.3.4	Audit Fees	30	A	0	30
Housing Services - General Fund					
1.1.4.1	Private Sector Housing	(55)	F	110	(165)
1.1.4.2	Choice Base Lettings	18	A	0	18
1.1.4.3	Community Partnership	53	A	0	53
Neighbourhood & Assets					
1.1.5.1	Waste Collection Contract – SMRF	450	A	280	170
1.1.5.2	Estate Management	25	A	31	(6)
1.1.5.3	Business Support & Development	11	A	11	0
1.1.5.4	Car Parks	(79)	F	(108)	29
1.1.5.5	Waste Management	91	A	0	91
1.1.5.6	Grass Cutting	29	A	0	29
1.1.5.7	Compliance Management	6	A	0	6
1.1.5.8	Bereavement Services	13	A	0	13
People & Communication					
1.1.6.1	Apprentice Incentive scheme funding	(33)	F	(32)	(1)
1.1.6.2	Human Resources General	21	A	0	21
Place, Arts & Economy					
1.1.7.1	Royal Spa Centre	(219)	F	(229)	10
1.1.7.2	Women's Cycle Tour	(30)	F	(30)	0
1.1.7.3	South Warwickshire Local Plan	(21)	F	(21)	0
1.1.7.4	Royal Pump Rooms	(26)	F	(28)	2
1.1.7.5	LEP Contribution Growth Hub	(16)	F	(36)	20
1.1.7.6	Development Control	143	A	0	143
1.1.7.7	Building Control	(96)	F	0	(96)
1.1.7.8	Town Hall	137	A	0	137
1.1.7.9	Policy & Projects	(36)	F	0	(36)
1.1.7.1 0	Parish Neighbourhood Plans	(22)	F	0	(22)
1.1.7.1 1	Economic Development	(13)	F	0	(13)
Safer Communities, Leisure & Environment					
1.1.8.1	Community Safety	32	F	(67)	99
1.1.8.2	Licensing & Registration	19	A	14	5
1.1.8.3	Edmondscote Sports Track	10	A	10	0
1.1.8.4	Client Monitoring	23	A	0	23
1.1.8.5	Green Space Development	99	A	0	99
1.1.8.6	Outdoor Recreation	10	A	0	10
1.1.8.7	CCTV	6	A	0	6
Strategic Leadership					
1.1.9.1	Kenilworth School	221	A	243	(22)
1.1.9.2	Abbey Fields Cycle Route	(140)	F	(140)	0
1.1.9.3	Shared Legal Services	130	A	111	19
1.1.9.4	Corporate projects - Linen Street Feasibility	(27)	F	(50)	23
1.1.9.5	CS Team	(1)	F	(28)	27
1.1.9.6	Democratic Representation	(7)	F	(10)	3

1.1.9.7	Relocation Kenilworth Wardens	28	A	0	28

As part of the vacancy factor process for Q2, a full year forecast of all salary budgets had been completed and the vacancy factor calculations had been made. This forecast that 97.35% of the General Fund Vacancy Factor (£0.826m) had been met. This left the remaining £0.497m to be completed for the current year.

Agency use was offset against staffing underspends across service areas and was therefore factored into the vacancy factor calculations. However, it should be noted that agency use was forecast to be over budget by £0.312m in 2024/25. A review on the use of agency staffing was due to be carried out as part of ongoing work reviewing establishments as part of the Change Programme.

An increase in Homelessness Rent Rebates for which the authority did not receive full government subsidy. The number of residents who claimed this allowance, and the duration for which they claimed it, had increased in recent years, while the subsidy had remained at a level set back in 2011 (Local Housing Allowance Rate). Further work would take place to look at the accommodation in which people were placed, and whether there was more that could be done to reduce durations, particularly in accommodation such as hotels and B&B's which were not fully reimbursed by the subsidy.

At budget setting in February 2024, contingency budgets were set to mitigate the unknown rising costs of contracts linked to inflation. These were held and managed centrally by the Head of Finance. In Q2, the contingency budgets had been fully utilised to offset some of the increased expenditure reflected in the report and therefore showing in a favourable underspend in the Finance Service.

Increased cost of External Audit for the completion of the 2021/22 and 2022/23 Statement of Financial Accounts, was partly due to the additional work required due to the change of Financial System mid-year of 2021/22, and extra scrutiny required from our External Auditors.

Private Sector Housing

An increase was anticipated from grant repayments due to house sales. Budget adjustment to other grants and contributions occurred as the Warwick University post was no longer required.

Choice based lettings

Income from using home choice was no longer available.

Community Partnerships

There had been an overspend in salary as an additional employee was transferred to the establishment from Tenancy management. A budget growth was considered in Q3.

Neighbourhood & Assets.

Waste Collection Contract – The budget and MTFS made provision for an expected rebate of £1m for recycling that was sold by the Materials Recycling Facility (MRF), which WDC was an owner along with seven other local authorities. However, it had emerged over the last year that some of the forecasts included in the original business case did not reflect ongoing costs and challenges of delivering the service.

In Quarter One the Budget target was reduced to £0.550m using contingency budgets held for this purpose. It was expected that the rebate would be £0.100m, a £0.450 under-delivered against the 2024/25 budget. The rebate was low due to the set up and actual costs of haulage, higher non sellable waste and lower tonnage across the shareholders.

This was an issue not exclusive to WDC, with all shareholding Councils experiencing similar problems due to incorrect financial information being given upon which decisions had been made, including setting the budget. WDC were still awaiting further details related to the Business Plan and schedule for rebates and this would be assessed in future monitoring reports and Budget Setting.

Estate Management

A number of wider estates management matters required consultancy.

Business Support & Development

There had been increased expenditure on waste disposal.

Car Parking income

After the Parking Service underwent an alignment in July 2024, the increase in Penalty Charge Notices (PCN) being issued were expected to stabilise. However, WDC continued to see record numbers of PCN's being issued, increasing income for this service.

Waste management

Forecasted an increase in costs due to the new cleaning contract in May 2024. Green waste income from the sale of the permit was estimated to be under budget, it was under a fees and charges review.

Grass cutting

Overspend due to additional machinery needed to hire for events in the final quarter of the year, Service Area manager to review in Q3 to propose savings within Services to mitigate this overspend.

Compliance Management - this was the annual fee for the security alarm system and monthly service charges. Budget to be reviewed and set for 2025/26.

Bereavement Services

Reduced income from rental of the lodge properties in the cemeteries as a review was being undertaken of an empty property that would need to be brought back to lettable standard.

People & Communications

The underspend would contribute towards the shared post apprentice to cover the Forestry apprentice Final year costs.

Human Resources General

Increase in Occupational Health charges. This would be reviewed in Budget setting 2025/26.

The Royal Spa Centre projected an increase in income to be from Non-WDC Shows this year. The predictions were based on income to date and previous year's outturn.

Budget was allocated from the Core Finance Settlement for the Women's Cycle Tour. This had unfortunately been cancelled in 2023. Despite funding being in place for 2024, the tour of Britain had not returned to Warwick, and instead visited other parts of Wales and England in June 2024. This funding would therefore be released back to reserves.

The Local Plan budget had been set aside to support a programme of work on the South Warwickshire Local Plan (SWLP) over several years. An estimate of costs was made when the SWLP was commenced in 2021, recognising that it would be needed over the lifetime of the project. Work was proceeding on the SWLP and, to date, costs had predominantly related to the cost of preparing the evidence base and public consultation. A revised timetable for the SWLP was agreed in November 2023 and this saw the SWLP being adopted in 2027. This project was also being funded by Stratford-on-Avon District Council and costs were being shared between the two authorities.

Royal Pump Rooms

There was an increased income forecast based on the previous year's outturn. This would be reviewed in Budget setting 2025/26.

LEP Contribution Growth Hub - funding for the Growth Hub in 2024/2025 was agreed to fund the level two service at £0.015m this year. The remaining amount in the EMR would be savings.

Development control

Additional costs on staffing were partly offset by underspends in established post. Income online to meet budgeted targets.
In Building Control, there was a salary underspend from current vacant posts.

Due to the current works at the Town Hall for the future High Street Project, and the relocation of Riverside House, rental income and charges had reduced as the space was not available to rent out. This budget had been addressed in the Budget Setting process for 2025/26.

There had been an increase in the Grant received from UKSPF.

Parish Neighbourhood Plans - the budget created in 2024/25 would not be used in year. This would be reviewed in budget setting 2025/26.

Economic Development – there had been general savings on service expenditure.

Safer Communities, Leisure & Environment

OPCC grants and Serious Violence grants to be received in 2024/2025 to fund salary costs. There had been an increase in costs for Hired Transport.

Licensing & Registration – forecasted income for Private Hire Services was revised to be lower than the budgeted income, this was impacted by the number of applications received, which had been lower than expected.

Edmondscote Sports Track - Athletics Track Idverde ground maintenance costs for the year. Budget to be reviewed at Budget setting 2025/2026.

There had been an increase in costs for Consultancy charges at Leisure Centres within the District.

Green space development.

There had been increased costs related to Agricultural Goods.

Outdoor Recreation

There had been increased costs in relation to Contracted Cleaning.

CCTV

There had been reduced income for CCTV viewing charges.

Strategic Leadership.

Kenilworth School - WDC acted as guarantor and the approved budget as of July 2023 was £1.5m. Following several months of checking and chasing WCC it had been established that WDC's unbudgeted liability for the school 278 highway costs was £243k. Going forward WDC would ensure that our interests were protected in future agreements, through agreed cost caps on any guarantees, protocols for cost escalation being in place and having a technical WDC representative on such project teams.

Abbey Fields Cycle Route - Consultation & Feasibility works to be completed in 2024/2025, works were expected to be completed in 2025/2026, this would most likely require EMR to 2025/2026.

At present, a number of positions with the shared legal team were being covered by agency/locum staff, to ensure that service provision could continue. However, these came at an additional cost, which was accepted could not be sustained and discussions on this were taking place between the Head of Law & Governance at SDC and Head of Governance at WDC. There was an expectation that this level should reduce, however, there was also significant demand with the legal team working at above capacity to meet the demands from WDC commercial work at this time.

This was a long, on-going project; the forecast was an estimate based on expected costs for existing work for 2023/2024. The remaining Budget would be requested by Embarked Reserve to transfer into the new financial year.

Democratic Representation

Expected increase on previous years, as a new location (Shire Hall) had been used; this would change when meetings moved back to Town Hall. Budget to be reviewed at budget setting for 2025/2026.
Final project charges for Kenilworth Wardens were being reviewed, which included Business Plan and Valuations.

Members Allowance & Chair of Housing Security Committee.

Members Allowance (Recommendation 4 in the report). The uprating of Members allowances was dependent on the pay award offered to officers on scale point/nationally. The Current scheme read as follows: "The allowances identified in paragraphs 2 and 3 above shall be increased by the annual local government pay percentage increase as agreed each April (linked to spinal column point 38 of the NJC scheme) to be implemented the following May in that year from the date of the Council Annual Meeting". The pay award to officers on all scale points was £1,925 and was calculated as a percentage for scale point 38 this would be 2.78%. Officers had consulted with the Independent Remuneration Panel who had agreed with this interpretation.

Chair of the Housing Security Committee (Recommendation 5 in the report). The Allowance for Chair of Housing Scrutiny Committee was proposed as part of the paper establishing this Committee and officers were asked to consult with the Independent Remuneration Panel on this proposal. This consultation had taken place, and they were in agreement with the proposal recognising the key assurance role of the Committee and detailed involvement required of the Chair. In addition to this there was due to be a full review of allowances undertaken and completed to be built into the February 2026 budget report.

Current year variances – Housing Revenue Account (HRA).

Variations had been identified by the Accountancy Team in conjunction with the relevant budget managers, giving a full year variance of £0.282m.

Department / Portfolio	Budget 2024/25	Forecast 24.25 Q2	Q2 Variance	Reserves	Adjusted Variance after reserves
Housing Revenue Account (HRA)	**£000**	**£000**	**£000**	**£000**	**£000**
Housing Services - HRA	0	282	282	0	282
Housing Revenue Account Total	**0**	**282**	**282**	**0**	**282**

Changes for Quarter One to Quarter Two.

Movement Between Q1 and Q2	Q1 Variance after Reserves	Q2 Variance after Reserves	Movement
Housing Revenue Account (HRA)	**£000**	**£000**	**£000**
Housing Services - HRA	219	282	63
Housing Revenue Account Total	**219**	**282**	**63**

A summary of major variances is provided below:

	List of major Variations	Q2 £000	Favourable (F) / Adverse (A)	Q1 £000	Change £000
Housing Revenue Account (HRA)					
1.2.2	Tenancy Management	159	A	158	1
1.2.3	Warwick Response	42	F	24	18
1.2.4	Housing Repairs - Responsive	64	A	78	(14)
1.2.5	Paining & Decoration	(300)	F	0	(300)
1.2.6	Waking Watch	205	A	0	205
1.2.7	Kenilworth Schools	101	A	0	101

As part of the Vacancy factor process for Q2, A full year forecast of all Salary budgets had been completed and the Vacancy factor calculations had been made. This forecast that 100.00% of the for HRA Vacancy Factor (£1.592m) had been met.

Tenancy Management – Current forecast of IT software cost based on last year's outturn, and the annual software license fee was expected to be charged in September 2024. Budget for costs of IT software to be reviewed at budget setting for 2025/2026.

Warwick Response – Forecast for general fees and charges predicted yearly reduction resulted from private customers leaving with only Warwick District Council customers in properties, income generated from sales of sundry item was not as much as pre-covid.

Housing repairs – overspend on repairs and maintenance for Fire Prevention Works. Service Manager to review further for Quarter Three forecast and provide additional update.

Painting & Decoration - reduced expenditure in year to offset increased costs within the HRA which included Waking Watch and Kenilworth Schools.

Costs of providing a waking watch fire security service to high rise building, originally budgeted up to December 2024, the additional cost related to the service continuing until July 2025 (the report only included cost to end of March 2025), when all fire safety works would be completed. A provision in 2025/26 budget had been made for costs up to July 2025.

Cost of vacant possession of Council and Layes Lane School site, these included security and NNDR costs.

Medium Term Financial Plan (MTFS). Recommendation 3 in the report

The MTFS was last formally reported to Members in February 2024 as part of the Budget setting and Council Tax setting reports. At that stage the profile of revenue savings to be found was as follows:

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Deficit-Savings Req (+)/Surplus (-) future years	0	4.475	2.434	(0.250)	(0.913)

Within the 2024/25 budget report, it was agreed that to balance the in-year budget that £4.475m be allocated from the GF Volatility Reserve.

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Deficit-Savings Req (+)/Surplus (-) future years	0	0	2.434	(0.250)	(0.913)

In light of the variations highlighted in this report, the MTFS had been updated as outlined below:

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Deficit-Savings Req (+)/Surplus (-) future years	0	0.291	2.500	0.163	(0.030)

As referenced in section 1.1.5.1 in the report, the impact of the updated Business Plan for the MRF would be reflected in future updates.

Officers continued to review ways of reducing the deficit, which included income generation, service efficiency and cost saving schemes through the Change Programme Board.

Were the deficit to remain, it was recommended that this was met by the GF Volatility Reserve. There remained sufficient headroom within the reserve (£3.8m) to meet the forecast deficits for 2024/25 and 2025/26.

In addition to the variations discussed in section 1.1 in the report, since the budget was set, the Council had agreed to participate in the delivery of the West Midlands Investment Zone. As part of this, it had been agreed that Warwick District Council could invest up to £90.2m over 25 years of the business rates generated from the Segro Park and Whitley South sites in local growth initiatives (LGI's) across the District, offering the Council increased financial certainty for the future.

This report had been presented to Cabinet and reflected in the MTFS.

Capital Forecast 2024/25. Recommendation 4 in the report.

Capital currently forecast a reduction in funding requirement in year of £6.612m for General Fund and £7.484m for HRA. A full breakdown of Capital Variances was shown in Appendix 1 to the report.

Reserves

The table at 1.5.1 in the report presented the latest summary of available reserves. This reflected non-committed, and non-ringfenced balances as at Budget Setting reports approved at Cabinet February each Financial Year, and ranges from 1 April 2020 (Showing previous three years and current year) up to 1 April 2028 (the period covered by the current MTFS).

All Reserves included the final movements for 2021/22, 2022/23 and 2023/24 after the completion of these accounts (draft accounts for 2023/24).

All reserves did not include any adjustments in relation to the forecast final position, or movement to Earmarked Reserves for the 2024/25 financial year.

No alternative options were presented.

Councillor Chilvers proposed the recommendations in the report.

Recommended to Council that

(1) the Members Allowances Scheme for 2024/25 is uprated by 2.78% and back dated to Annual Council on 14 May 2024 in line with the Paragraph 7 of the Members allowances scheme; and

(2) the Chair of Housing Scrutiny is paid an allowance of £4,596.93 (before the uplift above).

Resolved that

(1) the latest current year financial position for General Fund £0.291m adverse after adjustments for earmarked Reserves, and Housing Revenue Account £0.282m adverse, with the key variations that drive these positions, be noted;

(2) the impact on the Medium-Term Financial Strategy (MTFS) due to changes detailed within the report, and how these changes are expected to be accommodated through the use of reserves, be noted; and

(3) the current capital variations for schemes originally approved in February 2024 and approves all changes, be noted.

(The Portfolio Holder for this item was Councillor Chilvers).
Forward Plan Reference 1,475

(The meeting ended at 7:34pm)